

Porto Media changes the movie distribution game with a new spin on a proven customer experience.

Overview

■ **Business Challenge**

Although Porto Media's breakthrough in fast download provided the foundation of a new media distribution model, it still lacked a flexible usage scheme necessary to make its new movie rental concept a reality. Porto Media needed a partner to provide the last piece of the puzzle—digital rights management capability—and allow it to more quickly deliver a groundbreaking new solution.

■ **Solution**

Porto Media worked with IBM to adapt an existing copyright technology and design it into a first-of-its-kind kiosk-based movie rental solution.

■ **Key Benefits**

- Time-to-market reduced to six months from three to five years for competing approaches
- Better way for studios and retailers to manage DVD format issues
- More profitable and flexible distribution channel for studios



Based in Galway, Ireland, Porto Media developed a high-speed flash memory module capable of downloading and storing a 120-minute, DVD-quality movie in just 18 seconds. Porto Media is working to make this capability the cornerstone of a new approach to film distribution that employs media kiosks in retail.

Of all the industries affected by the shift from analog to digital technology, none has been more systematically transformed than the media industry. It's evident in every layer of the media value chain, from the way content is created, processed and distributed, to the devices used by consumers to access it. For most observers, a constant stream of new products and services is the most visible signature of today's digital media marketplace. Less apparent yet equally important is the realignment of value chain relationships that digitization has spurred.

“IBM displayed independent thinking, a depth of vision and a commitment to our success across every division we worked with. The doors that opened to us because of our association with IBM reinforced how valuable it has been in our evolution as a business.”

— Chris Armstrong, Founder,
Porto Media

Business Benefits

- Time-to-market for Porto Media reduced to six months from three to five years for competing content delivery approaches
- Improved movie rental experience for consumers
- Ability for retailers to streamline their in-store merchandising of DVDs
- Increased revenue for retailers through both movie rentals and increased in-store foot traffic
- Improved ability for studios and retailers to manage current and future DVD format issues
- More profitable and flexible distribution channel for Hollywood studios
- Faster and more comprehensive feedback on movie preferences and retail activities through POS integration with kiosks

“With portable digital media, customers always get what they want because a movie is always available, they can always find it and they’ll never get charged a late fee. This amounts to a profound transformation in today’s movie rental experience.”

–Chris Armstrong

Nowhere is this more in evidence than the movie business, where the introduction and wide consumer adoption of DVD technology significantly changed the economics of film distribution. With DVD sales representing a fast-growing share of a film’s overall gross, studios now have a much higher stake in developments in the consumer electronics space, most notably the parallel emergence of the next-generation DVD standards, Blu-Ray and HD-DVD. This issue also has profound significance for retailers, which would potentially need to stock as many as three formats of a single title on their shelves—a prospect that retailers are eager to avoid.

Distribution moves to the fore

Given the elevated strategic importance of retailers to their business strategies, studios are taking retailers’ concerns seriously as they navigate their distribution challenges. Retailers, for their part, need a more streamlined distribution approach that minimizes their in-store stocking pain while preserving or enhancing revenue. An approach they have favored in concept is the use of a kiosk-based solution that would essentially “dispense” a film to consumers via their media, which they could then take home and play on their own devices. However, two significant obstacles have stood in the way of making the kiosk model a reality. First was the need to deliver an intuitive and speedy user experience suitable for mass delivery. Second was the need for an efficient and flexible content protection mechanism that could define usage terms at the point of distribution, such as the length of time a movie can be viewed.

The viability of the in-store kiosk model got a major boost when a startup named Porto Media (www.portomedia.com) developed a pocket-sized flash memory module capable of downloading and storing 120 minutes of DVD-quality video content in just 18 seconds—about the same amount of time it takes the average person to get cash from an ATM. That, in fact, is exactly the service paradigm that founder Chris Armstrong had in mind as he sought to make this fast-download capability the foundation of a new movie rental model. While Porto Media had made a critical breakthrough, it still lacked the content protection functionality that was necessary to make its new movie rental concept a reality. For this it turned to IBM. After an initial meeting with Armstrong to share his idea and its challenges, specialists from IBM Global Business Services set up a more in-depth discussion with the heads of the IBM Almaden Research Center and its global Media and Entertainment practice, respectively, to put together the outlines of a solution. For Armstrong, the meeting proved both fruitful and decisive. “IBM had all the pieces we needed to bring the solution to market,” says Armstrong. “Equally important, it was clear that IBM firmly shared our vision of next-generation content delivery, including the importance of retail-based kiosk delivery.”

Bridging the gap through flexible content protection

IBM Research proved to be an especially critical link in the innovation chain. To address Porto Media's content protection need, IBM Research tapped a new standard for copyright protection—derived from IBM's collaboration with Intel®, Toshiba and Matsushita as part of a consortium known as 4C—and extended it to enable content providers to set the exact profile of when and how long content can be viewed. By implementing the so-called Copy Protection for Recordable Media (CPRM) standard on secure digital (SD) flash memory, IBM provided Porto Media with the last piece of the technology puzzle it needed to create a groundbreaking solution.

But as a small startup, Porto Media's requirements extended beyond core technology into the most important aspects of its go-to-market strategy. The company saw that in the fast-changing media space it was seeking to penetrate, speedy time-to-market was nearly as important as the solution itself. It was also cognizant of the value of leveraging IBM's expertise in designing end-to-end content delivery solutions, the depth and breadth of which made IBM stand out from other potential providers. To capitalize on this expertise (IBM's), Porto Media engaged IBM Global Business Services to design a high-level technical infrastructure—using a service-oriented architecture approach—that employs standardized products including IBM Tivoli products for systems management. The desire to optimize speed-to-market and resource efficiency was also a key driver behind Porto Media's decision to employ IBM's hosting infrastructure to deliver its new service. As designed, the solution performs key content management functions—from ingestion and tagging through delivery to IBM Anyplace kiosks—within a centralized hub powered by IBM System p servers, with content delivery performed by a global content delivery network provider.

Transforming the familiar

To Armstrong, what's most noteworthy about the kiosk solution is that it applies an entirely new technology to a proven consumer experience—namely, the video rental model—and in the process vastly improves it. "With portable digital media, customers always get what they want because a movie is always available, they can always find it and they'll never get charged a late fee," says Armstrong. "This amounts to a profound transformation in today's movie rental experience." For studios and retailers, the opportunities for business transformation extend deep into the core of their operations. Kiosk-based distribution gives retailers, for example, a far more profitable and efficient way to generate revenue, since it lessens the need to stock DVDs and frees up floor space.

Key Components

Software

- IBM WebSphere® Application Server
- IBM Tivoli® Storage Manager
- IBM Tivoli Identity Manager
- IBM Tivoli Monitoring

Servers

- IBM System p™ server

Services

- IBM Global Business Services
- IBM Almaden Research Center
- IBM Global Media and Entertainment

Time frame

- Infrastructure design: six months
 - Implementation: in progress
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Why it matters

Porto Media has laid the groundwork for a transformation of the movie rental business by developing a breakthrough method of downloading movies onto pocket-sized media and working with IBM Research to create new copyright protection capabilities to set all-important usage parameters.

By the same token, it gives retailers a means to circumvent the disruptive effects of proliferating DVD formats. The final and perhaps broadest advantage to retailers is the increased foot traffic that kiosk-based rentals are expected to produce, along with the increased level of incidental purchases that typically results from that traffic. In short, the kiosk-based rental model will increase retailers' profits while simplifying their in-store operations.

For the studios, the Porto Media solution represents not only a way to navigate the DVD format issues in the near-term, but also a direct conduit through which to distribute their content. The Porto Media solution also adds a completely new component to the studios' portfolio of channel options—and with it comes a completely new set of benefits. While the most obvious are reduced costs associated with the production and distribution of DVDs, Armstrong sees the most far-reaching as the wealth of business intelligence the system is capable of delivering when combined with retailers' point-of-sale data and powerful analytical tools. "Studios and advertisers can now gain a new level of understanding of the relationship of viewing preferences to other kinds of purchases, and use that knowledge to develop targeted promotions that help the studios and the retailers," says Armstrong. "As a leader in the retail market with strong knowledge of their core systems, IBM Global Business Services is best positioned to perform the integration needed to make it happen."

What may be most remarkable about the Porto Media story is how fast the company has segued from a visionary yet below-the-radar startup to being an important part of Hollywood's content distribution future. The arc of this narrative, explains Armstrong, is how a company with the breadth, depth and complexity of IBM showed the commitment, resourcefulness and deftness of touch necessary to make Armstrong's vision a reality. "From the start, IBM displayed independent thinking, a depth of vision and a commitment to our success across every division we worked with," says Armstrong. "The doors that opened to us because of our association with IBM reinforced just how valuable it has been in our evolution as a business."

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